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MUNICIPAL TRADING IN ENGLAND AND THE UNITED STATES.

AN ADDRESS

BY

THE HON. ROBERT P. PORTER

(United States Commissioner),

Delivered at a Complimentary Dinner in his honour on the 31st October, 1901.

WITH

OTHER SPEECHES ON THE SAME OCCASION.

Issued under the Authority of the Municipal Trading Committee of the London Chamber of Commerce.

LONDON: 10, EASTCHEAP, E.C.

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MUNICIPAL TRADING IN ENGLAND AND THE UNITED STATES.

A COMPLIMENTARY dinner to the Hon. Robert P. Porter was given by the Municipal Trading Committee of the London Chamber of Commerce (Incorporated) on Thursday, October 31, 1901, at the Trocadero Restaurant, London. Mr. Sydney Morse (Chairman of the Committee) occupied the chair, and there were also present the Right Hon. Lord Claud Hamilton (chairman of the Great Eastern Railway Company), Sir C. Rivers Wilson, G.C.M.G., C.B., Sir Israel Hart, General C. G. Sawtell, Col. J. Roper Parkington, Sir Hiram S. Maxim, Mr. Atherley Jones, K.C., M.P., Mr. E. Garcke, Major S. Flood Page, Mr. E. J. Gillespie, Mr. L. R. Wynter, Mr. Charles Charleton, Mr. H. Snowden Ward, Mr. Dixon H. Davies, Mr. C. T. Yerkes, Mr. C. H. W. Biggs, Mr. William Ivey, and about fifty others.

The Chairman proposed the toasts of "The King" and of "The President of the United States," which were duly honoured.

The CHAIRMAN, in proposing the toast of "Our Guest," said they met under the auspices of the London Chamber of Commerce, which generally looked after the trade of their city to the best of its ability. When a few years ago it was found that the municipalities and local authorities throughout the kingdom were anxious to enter into the arena of trade in competition with their ratepayers —with money raised on the security of the rates these traders

paid—it was felt that a time had arrived when a special committee of the Chamber should be appointed to endeavour to deal with the question. The Committee had been doing what it could in a small and unpretentious way; it even ventured to risk a general battle with the representatives of the municipal traders, by getting the Government to appoint a Joint Committee of both Houses, and although that Joint Committee made no report, and came to no definite decision, it collected a great deal of valuable evidence which had now been published. He had the authority of their guest for saying that that report had been of great value to our friends in America. The question was really of immense importance. Few of them realised fully the extent to which municipal trading, if it was allowed to have its full sway, would interfere, not only with traders, but with the comfort of everyone in the country, if it did not in the end interfere with the Government of the country in a disastrous manner They had it on the authority of representatives of municipal trading that in their opinion there was no finality in it. The latter already owned and worked tramways and light railways, and according to Mr. Burns there was nothing which did not reasonably and properly come within the purview of municipal trading. If that came to pass where would they be if the London County Council were the owner of of all the railways and tramways in the County of London, but not outside, where even the gauges might be different, and the working of the lines constructed on a different principle. Who were those bodies who desired to have this controlling influence over their trades? Were they the great traders? No! They were the representatives elected for the good government of a particular district, large or small, as the case might be. They were only elected for three years, and yet they considered that they were competent to deal in millions, and to carry on any trade, even if it was a trade requiring the utmost care and greatest knowledge, simply because they were members of a body elected by the ratepayers. And what was the cry? That the traders had made a profit, and why should not that profit be taken away from the traders and put into their own pockets! It struck at the root of good government when those who governed were not simply filled with the desire to benefit those whom they governed. This was not a new subject, because they found great writers—John Stuart Mill and others—agreeing with the same views. The Committee were not trying to put forward a vain and foolish idea, because it was an axiom that no one could carry on a profitable business unless he gave that which the public wanted at a price which they were able to pay for it. What an opportunity the local authorities had lost! If those authorities had insisted upon every trade being carried out for the benefit of all; if they had seen that all the sanitary arrangements were perfect and properly kept, and insisted upon the best possible public service being given at the cheapest possible rate; if, in effect, they had continued to control the trades, but not absorb them, they would have fulfilled one of the most important functions of the State. Mr. Porter had come that evening to give them the benefit of his advice, and he asked those present to welcome him as an expert on this question, and to drink his health in that sense.

Mr. ROBERT P. PORTER said that he feared the reference of the Chairman to the effect that he (the speaker) "thought in schedules" would have a disquieting effect upon those assembled. A bombardment of "tabulated statements" and "statistical exhibits" after an excellent dinner was hardly a fair return for such generous hospitality as had been accorded him. He wished to thank the Chairman for the kind things he had said about him, and to express his gratitude at the undeserved compliments—(No, no)—which had been given him that night. It was true that he had been largely concerned in statistical inquiry in the United States, and in 1890 he had taken the census of that country. Previous to that

—in 1880—he had charge of the railway statistics, and it fell to his lot to make the first Federal report ever made in relation to street and steam railways. By reason of this he had become interested in the subject, and perhaps it gave him a right to speak on the question so capably and interestingly put forward by the Chairman.

There were a few facts which he thought it was right and proper should be impressed upon them, and after some humorous reference to the system of reading papers at public gatherings in England, Mr. Porter proceeded to speak as follows :—

The discussion of municipal trading in England savours a little of locking the stable door after the ho se is stolen. In America we are trying to put the fastenings in order before misfortune overtakes us. Whatever affliction the American invasion may have brought upon the Mother Country, it must plead not guilty in this case. Municipal trading, as understood here, is not a Yankee notion. We have had some unhappy experiences in lending local and State credit to private enterprise in the days when the people of a new country were anxious to extend railways and canals. We enjoyed our little whirl, and we had to pay the piper. In the forties and fifties an epidemic for helping private enterprise with public funds passed over the land, and the wildest schemes pushed by unscrupulous promoters secured the credit of the municipal, county, and State Governments. The invariable result followed. Millions and millions of dollars' worth of bonds were issued by public authorities, most of them to become a burden upon the unfortunate taxpayer. In a large number of instances these ventures brought bankruptcy and even repudiation upon cities, counties, and states, and thousands of your own countrymen who had loaned their money as was thought upon governmental securities, suffered severe losses. Again, soon after our civil war, a craze set in for municipal improvements, and as a result local indebtedness and taxes in-

creased so rapidly that in many instances the burden upon taxpayers became almost unbearable, and in important cities repudiation was openly advocated. It fell to my lot over twenty years ago to write the official report of the history of this period, and the lamentable results of throwing private enterprise upon the rates may be studied to advantage in that volume.* These experiences carried with them useful lessons, and, as we shall see, has put a brake on the enthusiastic American municipalist who, fresh from the Mecca of Spring Gardens or the shrine of Saint Mungo, demands municipal ownership and operation of public utilities. In these demands he has been met at almost every turn with the "constitutional debt limit," as we term it. You will easily guess that the Genesis of the "debt limit" may be found in the fiscal disasters resulting from our early attempts in using public funds and public credit in enterprises which should unquestionably be left to individual effort. In seeking a remedy for evils ensuing from the fiscal madness which overtook us before the civil war, and again in a slightly modified form immediately following the war, the constitutional limitation of debt was hit upon. In some of the more flagrant instances, that of the State of Michigan for example, the people went even further, and declared that the State must not be "a party to, or interested in, any work of internal improvement." So bitter, has been the results of the experiments of this State in a theory of government foreign to the sound maxim that "the country is governed the best which is governed the least," that the Municipalists have never been able to secure a repeal of this provision. I have not introduced thus prominently the "debt limitation" theory because I believe it fits your case, but for the purpose of showing its effect with us in checking the impetuosity of the American municipalist. Go

* Report on Valuation, Taxation, and Public Indebtedness in the United States, and returned at the Tenth Census (June 1, 1880) by Robert P. Porter, Special Agent.

whichever way he may, he is constantly running up against this prohibitory sign. It has blocked his game in all sorts of ways. In the case of Michigan, for instance, after the city of Detroit had purchased a street railway, the Supreme Court compelled the private owners to take it back again. This, too, after clever financiers had unloaded their system on a confiding and unsuspecting council of municipalists at a splendid profit to themselves. In short, so obnoxious have these limitations become that the first number on the municipalist programme in the United States is the repeal of all such constitutional barriers. So far these endeavours have not met with success, and the American taxpayer has remained deaf to the stories of great profits in public utilities, and stupidly impervious to the tempting accounts of how the taxpayer has become, in some of the British cities, as extinct as the dodo, or the pudamonk, while the cities are running themselves on the profits of their gas, electric plants, and tramways. Should these alluring arguments prevail, the debt limit be removed, and full swing given to municipal ownership experiments, the American taxpayers will, in my opinion, invite financial catastrophes far more sweeping than any they have heretofore experienced.

The progress of municipal trading in America has not been checked by lack of rhetorical ability or activity on the part of its advocates. Mr. Bryan, who twice contested the Presidency on the Free Silver issue, is one of its vehement supporters, and the idea has become firmly incorporated in the National Democratic Platform. Mr. Richard Croker, whose studies during his residence in England have perhaps been directed more to the British Turf than to the beneficent results of municipal trading, is an advocate of the expansion of municipal industry, and Tammany is not unwilling to share in its profits. To these powerful political factors we may add a number of excellent and well-meaning college professors and quasi-economists, who have confused what Mr. Garcke so aptly calls the "higher and

nobler municipal enterprises" with the more sordid desire of profit-making, and are vigorously urging our city councils to follow England in these hazardous enterprises. In support of these ideas we have continuously been told of the success of these undertakings, when managed by capable, upright, and experienced town clerks and aldermen of England. The picture, I do assure you, has been painted with none too fine a brush, and the pigment, in places, laid on pretty thick. It is not over-flattering to ourselves. While the city corporations of England were reaping enormous profits in gas, in electric light, in efficient tramways, in running omnibus lines, in selling supplies, and the Government rolling in wealth in the telegraph and telephone business, your short-sighted kin beyond the sea were being insufficiently supplied with those public utilities at a high price by private companies who were using the streets free of cost and otherwise imposing on the public. So widely have these arguments been disseminated in America that those who have opposed the absorption of private industry by public officials have been obliged to enter a demurrer in the English case. I have been obliged to enter a demurrer. I think that means practically "what of it?" It means an admission of fact. We simply said, "We are so bad that we cannot do what the English do," so on the demurrer we had to rest. That is, we have met this avalanche of oratory and rhetoric with the "what of it" of the lawyer, and taken the ground that, if all that is claimed is true of the success of municipal trading in England, the conditions were so different with us—Tammany, Crokerism, and so forth—that such experiments would be both unwise and dangerous. I recall the fact that Professor Albert Shaw, the American Columbus of many of these daring British municipal experiments, and whose admirable volumes on the subject are well known, when asked by a commission appointed by the State of New York to investigate the question, if he would be willing to see his theory of municipal ownership of tramways and gasworks

applied to the City of New York, promptly replied, "I have never dreamed of advocating municipal ownership in New York." Here, then, has been our difficulty. After dilating to the extent of hundreds, nay, I would not exaggerate if I said thousands of pamphlets and volumes on the beautiful but dangerous course your municipalists have adopted in England, the more far-seeing and responsible of our own economists—especially if they happen to be ratepayers—hesitate when it is demanded they shall put their theories into practice in their own city. "Try it," they say, "in some other city or in some other country, but we want no expansion of municipal industry in our own city." It is the old story of the doctor's unwillingness to take his own physic. Up to within a few years ago this was the situation with us. Municipal ownership made an excellent class-room topic, and the men who discussed its advance in England, as an abstract question, had little to say about its practical adoption in the United States. Here and there a city owned a gasworks, notably Philadelphia, but in that particular case the management was so abominable and scandalous that when it was turned over some four years ago to an enterprising and responsible company, all decent citizens rejoiced. Since then Philadelphia has had better gas, and the city is making a handsome income on the franchise it has granted to the private company. A few other examples of municipal electric plants and gasworks might be quoted. Two of the most important municipal gasworks — those of Toledo and Columbus — last month were sold to private companies after a sad history of loss to the ratepayer and scandal in respect of the municipal government of the cities. In a report made by the Department of Labour two (2) years ago, I find that in about one hundred and fifty (150) of our principal cities and towns, more than two-thirds (2-3), including all the large cities, own and operate their own waterworks. A glance at the column relating to gasworks and

electric plants reveals the fact that only two or three cities own their own gasworks, and about a dozen their own electric plants, while no city is reported as owning its tramway. This may be substantially regarded as the condition of affairs at the present time. We seem to have been more successful than you in drawing the boundary line, as it were, between legitimate and illegitimate municipal undertakings. Rightly or wrongly, we have drawn that line on waterworks, on the ground that the water supply of a city is closely allied to its sanitary conditions, and that there is no injustice in levying tribute relative to the ability to pay for a good and sufficient water supply. In the cases where the water supply is in the hands of private companies the cities have either been unenterprising or perhaps the debt limit may have prevented the purchase of the waterworks. The tendency, I think, is for cities to take over the waterworks, and there seems to be no objection from any quarter. The statistics found in the current issue of the "English Municipal Year Book" show you have been more erratic than we in dealing with this problem. You have dashed ahead along some lines that we should regard as extremely hazardous, and in other directions, the control of waterworks for example, you have taken the opposite course. Thus one is surprised to find the London County Council running omnibus lines, erecting small but expensive electric plants to supply limited areas of street-lamps, building tramways, planning extensive subways from Westminster to the Bank, while the water supply of the greatest modern city is in the hands of private companies. I am aware of the efforts made to purchase the London waterworks, and of the obstacles in the path, but think that the desired result could have better been obtained had the County Council concentrated its energies instead of going into too many iridescent schemes. The trouble with that body, as it appears to an outsider, is that it scatters too much. The tendency to scatter or spread out into too many things is dangerous to a business man—it is

ruinous to a public body. There is no constitutional limit to the debt-creating power of London County Council, but the price of its securities suggests that a large increase of those bonds might not be practicable.* Looking over the entire field, I find about half the capital invested in your tramways owned by municipal authorities; about one-third of the capital in gasworks; by far the largest portion of the capital in electric light plants, but only half the municipal boroughs of England seem to own their own waterworks. These general facts indicate the difficulty you will have in defining where municipal enterprise in such matters should rightly end and private enterprise begin. On this point, as has been shown, we have plainer sailing in America than you have here.

Within the last few years a change seems to have come over this municipal dream of yours. While we, as I have said, have been obliged to argue our case in the United States on a demurrer so far as England's experiences were concerned, there has arisen within the very shadow of Spring Gardens a perverse generation which has set about the demolition of the idols we have been told to bow down to and worship. The attack on the temple of municipal trading has been sharp and decisive, and the edifice is almost rent in twain. Having accomplished its partial destruction yourselves, aided as you have been by your own Chambers of Commerce, by the Society of Arts debate, by the Royal Statistical Society's investigations of the financial side of the question, by the Parliamentary Committee, by numerous able pamphlets, and more recently by that powerful ally the London *Times*, you must not ask us foreigners to gaze upon what is left of the edifice and pronounce it complete

* The average discount rate at which the most recent loan works out at the comparatively high figure of £3 9s. 1d. per cent., or rather less than the quotation in Lombard-street for six months' fine paper, which hardened this week to 3½ ⅜ per cent. Conditions have indeed changed since the Spring Gardens authority could market Two and a Half per Cent. Stock above par.

and satisfactory. We are more likely to enter the sacred precincts through the aperture you have made in it and endeavour to solve the mystery of its departed power. We may even be encouraged to compare the cost of some of these boasted achievements with similar undertakings of our own. We might be tempted to ascertain if under a different method we have been able, by utilising individual effort and private capital, to give the public as cheap and as efficient service. You, gentlemen, are too familiar with the shortcomings of municipal trading to need even a recapitulation to-night. You found it did not fit in with the extension of modern enterprise. You wanted to distribute your electrical power and sell it cheaply for all sorts of purposes, and you were blocked by a combination of town clerks. There was a demand for cheap producers, gas for use in the gas engine, the latest and cheapest invention for motor power, and you were held up by municipalities whose business interests prompted them to oppose cheap power. So it was with light—electric and gas—and with the extension of tramways and light railways. Then it was that you discovered that these towns and cities, with their retinue of officials, had been merely nibbling at the electrical industry. Private enterprise was being dampened and dwarfed by hold-ups in the shape of provisional orders. Meantime England was behind even Italy in an industry in which she should, by right of priority of practical application, have led Europe and been side by side with the United States. When these facts were fully established, your British ire was thoroughly aroused. Whatever may be the final outcome, and whether you ever come to any understanding with these authorities, as to boundary lines, or not, you have weakened their power. If they still, as is probable, cling tenaciously to that which they have, they will have to fight harder for that which they may in future wish to appropriate. The municipal traders may preach "no finality to municipal trading," but Parliament, the limitation of the debt creating

power, the patience of the ratepayer, and the necessity of encouraging British industry will prevent its being carried out. Still more disastrous will be the trap which Mr. Garcke has set for the municipalists, and into which Mr. Donald, editor of the *Municipal Journal*, recently precipitated himself.

As I have said, until the severe attacks on municipal trading referred to above, we had been given to understand in America that in England wonderful success had attended the efforts of municipalities to monopolise individual endeavour or enterprise. The appeal, however, was chiefly made on the exceedingly fallacious ground that the "profits" thus extracted from the pockets of the capable and enterprising, the energetic and far-sighted, the ingenious and the inventive were enabling the rest of the community to live free of taxation. Herein lay its chief attraction. Mr. Donald disposes of this point himself, and thus denudes the whole theory of "no finality to municipal enterprise" of its principal charm to American municipalities, by the following declaration:—"It would be preferable in all cases that municipalities ceased to make profits from their undertakings —whether water, gas, electricity, or tramways." Here we have an advocate of municipal trading in England abandoning the very essence of the argument of his co-labourers across the Atlantic. The bait of lower taxation is the luscious morsel which the Bryanite orator and American college professor have been dangling before our taxpayers. Without it the subject will not prove permanently attractive, and hardly command respectful attention.

The Parliamentary Committee on Municipal Trading has given the British public full information on the merits and demerits of municipal trading. Much of the work done by your English cities deserves nothing but the highest commendation from the American side of the Atlantic. It is a pleasure for me to be able to inform you that here and there we are endeavouring to follow in your footsteps in all

matters that contribute to a higher civic life. At this moment we are, as you know, making a united and non-partisan fight to rescue New York from the evil influence of Tammany.* Municipal government in the United States is not so bad as it is sometimes painted, and in many of our cities of medium size we enjoy capable and honest government. Nevertheless, we are willing to follow your municipalities in the higher and nobler work they are doing, providing it does not take us along the dangerous river of municipal trading into the unknown sea of Socialism. The expansion of the functions of municipal government for the protection of public safety and public health is legitimate, and should be encouraged. The question you gentlemen must solve is: "Must the economic and idealistic functions of municipal government expand in like manner?" We have gone around the circle, and here we are back to the old issue which marks the parting of the ways. You will have more difficulty in finding the safe road here in England than we shall have in the United States—that is, if we can only hold municipal ambition down to the non-profit producing undertakings. My esteemed friend John Boyd Thatcher, Mayor of Albany, once said when speaking on this subject:—"If the city may do those things for the individual which he cannot do for himself, may it do for him those things which he finds it inconvenient to do for himself? If it may care for his safety and health, may it also care for his morals and his comforts? If it may build him an academy to educate a sound mind, may it build him a gymnasium to develop a sound body? If it build him a gymnasium to train his muscles, may it erect an arena to test his prowess? If it publish police rules and regulations for his conduct, may it establish an ethical college to teach him the foundation of obligation? If it may teach him

* Since the date of the delivery of this address the Tammany forces have been defeated, and as we may hope, for a more honest government of New York.

ethics, may it teach him religion? And may all these things be done at public expense? Here our vessel breaks from its moorings and drifts toward the beautiful but dangerous coast of paternal government." These words are quoted because they summarise the arguments which you gentlemen meet with every day. Those who believe in and want paternal government and Socialism, frankly tell you they favour the whole socialistic programme, that a city should conduct all functions from the worship of the Almighty down to the manufacture of tooth brushes. Those who do not believe in Socialism, and yet persist in enlarging the sphere of municipal trading, should realise that by the destruction of individual effort they are rapidly undermining the very foundation of their country's strength and greatness.

If the State or city takes away one after another the opportunities for profitable employment of private capital, and brains (the latest proposal being fire insurance), the logical result is that other occupations become overcrowded, the struggle for existence gets harder, and an increasing number of persons must come upon the State or city for support. The State's function is to give every man an opportunity to do business under a stable government. The question will be asked, Is it safe to trust municipalities to do all these things at public expense? In spite of the cry, "No finality to municipal enterprise," there will be a finality when, as Mr. Thatcher suggests, the vessel of municipal trading "breaks from its moorings, and drifts towards the alluring but dangerous coast of paternal government." Germany has lately set her face against municipal ownership and operation of public utilities, for the simple reason that she had carried officialism as far as it was prudent to go. The Government employees tended always to increase; and there, as in England and America, it was found that employment by the Government signified much which did not at once appear. The line had to be drawn somewhere, even in Germany; it was not considered expedient to add to

the number already existing, the numerous officials and employees of all the street railway systems in the empire.

That State or municipal ownership deadens enterprise there can be no sort of doubt. That the timid policy of your Parliament in tying these great modern enterprises to the apron-strings of local political boards by such legislation as the Tramway Act, the various Lighting Acts, and now the Telephone Act of 1899, has had much to do with the backward condition of the electrical and other great industries, is proved by the testimony before the Select Committee. In a like manner the over-zealous corporation, in thwarting company enterprise, because of its own investments in these undertakings, has soaked the activity out of private capital, and kept it back from channels which it would otherwise have sought, to the benefit of the kingdom at large. In short, it has chilled enterprise. In the United States capital in these industries has had a freer headway—not a go-as-you-please, as some seem to imagine—than in England; and, in my opinion, the results have been more satisfactory. Private enterprise may need curbing a bit, and this work our various State Legislatures seem fully competent to perform. Better let such undertakings become profitable, and reward individual endeavour and enterprise, than by unjust impediments and State and local "jay-hawking," leave them in a moribund condition.

Perhaps, in conclusion, you will pardon me for saying a word on what we have accomplished in the United States in certain branches of industry which your municipalities seem to watch over so zealously. Take, for example, our twenty thousand (20,000) miles of street railways, not a mile of which is under the fostering care of a town clerk—though some of it may be in the hands of a Receiver—"better that," I hear you say, "*than on the rates.*" The private capital involved in this industry—almost brought into existence since the introduction of electricity as a motor—is variously estimated from three hundred million pounds (£300,000,000)

to four hundred million (£400,000,000). Our gasworks and electric light plants have gone on increasing side by side. When electric light was first introduced, gas stocks went down, but private capital soon rallied, and individual courage invented new methods to make gas cheaper, and new avenues for its use—power producing, cooking, &c., so that the consumption of gas has doubled and trebled while electric lights are being strung up all over the country. To-day I am told by one of our greatest experts that the best, steadiest, and cheapest electric light can be made with the aid of gas. Yet some of your municipalities are snapping at private capital and holding up provisional orders for electric plants because they own and operate gas plants, and are doing all sorts of other queer and anti quated things based, I believe, on the theory that gas and electricity are rivals. Why, they don't show the enterprise of a little American train boy I once heard of, who asked an irascible old gentleman to buy a box of sweets. "Can't you see I have no teeth?" said the old man, crossly. "Gum drops, ten cents a package," replied the smart American lad. That is good business. If people don't want gas, give them electric light. If they don't want municipal light, give them private company light. There is too much of the spirit of "You must have what we have got" about this municipal trading idea to make it popular in the United States. If private capital wants to take the risk to give a community cheaper transportation, cheaper or better gas, to encourage its use for cooking or for manufacturing purposes, by distribution over large areas, by all means let them do it. If individual effort and private capital want to start electric-light plants, or distributing power houses, the way will be found in an American city. You won't find energy of this sort in America hopelessly knocking at the city gates, as you do in some of the modern walled municipalities of England.

"That is all very well," I hear my municipal friends say, "but we must keep out these tramways and gas, and electric

and telephone and telegraph companies, for they spoil our streets and run their rails and mains and poles and elevated structures and tunnels and subways in every direction, and the public gets nothing in return." While I do not propose to be enticed into a defence of all the private company iniquity of the United States, and while there has been and is now much that is reprehensible in their actions, we are still obliged to admit that the general result has been satisfactory. Public officials are giving more attention to these matters, and the rights of the public are much more carefully guarded than heretofore. A municipal trading city may make a profit on its transportation, its gas supply, and its electric lighting. It is for you to demand how that profit compares with the amount of money which our private companies annually pay into the city and State treasury for the right to use the streets for various purposes. Mr. Garcke has given us, I think, nine sound principles which should be strictly adhered to, in making fiscal comparisons between corporation and company undertakings. Prominent among these should be an estimate of the taxes which a muncipalised city loses by owning and operating its own profit-making undertakings. One of my municipalistic friends said to me the other day, that the city was entitled to every penny of the profit from such enterprises. Suppose, for argument sake, we admit this assumption. Having done so, can we not conceive of a condition wherein private enterprise, with its greater experience, its scientific experts, and with its bolder operation, might bring better results, in a given field, and while yielding a profit for its own capital and a reward for its own enterprise and experience—which should not be given grudgingly—still pay a greater sum into the city treasury, and at the same time serve the public more cheaply and more efficiently. There, for example, is the Brooklyn Rapid Transit Company paying over £200,000 annually as taxes. It has worked up a big business in transportation, has consolidated smaller tramways, pays the city nearly

£40,000 annually for the privilege of carrying passengers from New York free across the Brooklyn Bridge, and, if you wish, will carry you twenty-two miles at good speed for the modest fare of five cents (2½d.). Then, again, we have the Metropolitan Street Railway of New York, carrying nearly 200,000,000 passengers on transfers, free of cost—£2,000,000 thrown away, some people contend. Surely here we can match your municipalists' halfpenny fares, of which we hear so much. On the contrary, this bold stroke of free transfers brings business just as it would if some great central company secured the underground and tubular railways of London, electrified the roads, unified the fares, and sent the passengers night and morning in whichever direction they wished without thought of so much fare for so many miles, or of class, for a distance of ten or fifteen or even twenty miles around London. This same New York Metropolitan Railway has just scrap-heaped a good cable plant worth over a million sterling because it stood in the way of electric progress. The same company last year paid nearly £200,000 in taxes, without counting the value of paving and street cleaning, and removal of snow which is done for the city, and is charged in with operating expenses of the tramway company. The Union Traction Company of Philadelphia have made me an estimate of their taxes, and including the cost of the maintenance of paving, removal of snow and ice, and the interest on the original £2,800,000, the cost of improved pavements laid by the company at the time the franchise was granted, this aggregates over £400,000 annually. These would seem goodly sums, and certainly dispose of the assertions that the American street railway companies use the streets free. The official report from Massachusetts shows on gross receipts of about £4,600,000 for all the street railways of the State, taxes of £270,000—a trifle over 6 per cent. of gross earnings. These companies also pay an enormous sum for injuries and damages. Our Courts are severe on the railways, and the juries liberal to

the injured passenger. The Brooklyn Rapid Transit paid last year £160,000; the Metropolitan Railway of New York, £67,000; and the street railways of Massachusetts, £120,000. The Manhattan Elevated Railway of New York, besides its very heavy annual taxes, has paid since its existence, £2,500,000 in claims for damages, and has an equal number of claims still pending. Here and there large fortunes have been made out of these ventures, but the street railway companies of the United States, when the enormous items of expenditure as above indicated are deducted, are not making as much money as the municipal trader seems to think. The same holds true of the Companies supplying gas, electricity, telephone communication, and telegraph service. The British Government is losing heavily, I understand, on its telegraph business. We have two competing companies which give us a good and cheap telegraph service, and both seem to make reasonable dividends in spite of the inroads of the telephone. The unhappy story of your telephone industry, divided now under three heads—Governmental, Municipal, and Private—is too familiar to this gathering to require more than a passing reference. A strong company, if given a fair chance, would have, in my opinion, served both the public and State more satisfactorily. The telephone is of real value in the United States because it works well, the connections are quickly made, and it is easily reached. In our large cities, public telephones may be found on almost every block. Our telephone parlours in some cities are places of luxury where you may read the newspapers and smoke while waiting, and, as your calls are answered, do business all over the United States. Sharp-witted and quick American girls serve you with civility and promptitude. If you do not get the person you want, you do not pay. The trouble that some of these operators take to connect the proper exchanges, and get the right people to the telephone, would astonish the coolly indifferent operators in British postal or trunk-line exchanges. It is private

business, you see, and in many instances competing business. It pays to push it. And it is vigorously pushed.

You will appreciate that these few facts are not submitted in a boasting spirit. We have by no means solved these problems, and have much to learn in dealing with them. Again conditions differ so widely that what may be suitable for us might not be practicable in England. We have begun much of this work with a clean sheet of paper before us, and have worked out our plans without the numerous obstacles which your older civilisation places in the way. If I have been able to show that we are not quite so foolish in dealing with these franchises, and conducting these extensive business operations, as some of your municipalists seem to imagine, I shall be very happy. If our experience will help you to a greater development in these industries, I shall have accomplished all I could possibly hope to do. The London Chamber of Commerce has done excellent work in exposing the fallacies of municipal trading, and whenever opportunity is afforded you I am sure you will continue to demonstrate the great fundamental fact that individual enterprise can not only conduct these industries better, but yield larger results for the relief of the ratepayer for any rights or privileges which may be granted to individuals by the City. We are at this moment constructing a subway the entire length of Manhattan Island, much of the way through solid rock. It is admittedly the greatest work of rapid transit yet executed. The contract has been let to a private contractor, under a heavy bond to construct and operate. It will probably necessitate the outlay of £10,000,000 sterling before the railway is equipped and running. It will, as I have said, be leased thereafter for a term of years to the contractor under the strictest rules and regulations. The interest of the city and the public have been most carefully looked after in this contract, and ultimately the city will come into possession of the subway. At the same time it affords abundant opportunity to private enterprise. Thinking an

arrangement so satisfactory was in line with the views of one of your London municipalists, I submitted to this gentleman the other day a summary of the contract, agreement, and lease. He said no, he did not believe in it at all. If there was any profit in it, the city should get it all. This spirit is death to all kinds of enterprise, and you are justified in fighting it as vigorously as possible.

In conclusion, Mr. Porter said: I want to thank you very much indeed for suffering this infliction in such a pleasant manner, and for the very kind and altogether too generous reception you have given me. (Cheers.)

The CHAIRMAN said he had to report letters of regret from Mr. Alban Gibbs, M.P. for the City of London, and Mr. Carnegie, the latter gentleman stating that "he was glad to hear that his friend Porter was to receive deserved recognition."

Sir CHARLES RIVERS WILSON, G.C.M.G., C.B., said that Mr. Porter in the admirable paper he had just read had covered really the whole of the question. Nothing surprised him more than the grasp which he had obtained of all the facts of this complicated and difficult matter, which, to a certain degree, must have been unfamiliar to him until he came over here. He seemed to have got every point of importance. He could not perceive a single flaw or inaccuracy in any of his statements with one exception. They would agree that Mr. Porter had been insufficiently informed when he said that the temple of municipal trading had almost been completely riven in twain. That was not the case. The battle had not been won, by any manner of means. The Chamber of Commerce had done gallant service, and put themselves in the forefront of the battle; but it was not to be expected they would conquer in the fight unless they received more support from the Government, the public generally, and Parliament; and it is in that direction that

all the efforts of those interested in this question should be applied. He urged them to try and form popular opinion on this subject, and it could be done by disseminating information and arguments such as they had listened to that night. He hoped that the interesting and important document contributed by Mr. Porter would be printed and circulated and given the widest publicity. Coming as it did from the representative of a neighbouring friendly and progressive country, he trusted it would give a stimulus to their lethargical, indifferent, and perhaps interested legislators. The battle would have to be fought again next year. He thanked Mr. Porter extremely for the service he had rendered them, which was worthy of his great reputation.

Mr. YERKES said he had noted down in his mind various things that he wished to say, all of which had been touched upon by the chairman and Mr. Porter. The question of municipal ownership—as they called it in America—was a matter that had been very near to his heart. He had had to do with municipalities, with corporations, municipal corporations, and he had had the fortune, whether good or bad, of always being opposed to them. It had been rather a rocky road sometimes, but they had got through. There seemed to be an idea in the minds of some people that the municipality should own everything; if not everything, at least a great deal, and if not a great deal, at least something. They started with the waterworks—in England they had not been so unfortunate. He believed that private corporations should own everything which pertained to the work of a municipality, and that the municipalist, or whatever they might call him, had plenty to do to look after the education, the health, and the good conduct of the city. For him to enter into business of any kind was to enter a realm that he knew nothing of. What was wanted was experience. They did not want a shipmaker to build a house; neither did they

want a mason to make a watch; they wanted every Jack to his trade, and the trade of the municipalist was not in running railways, gasworks, or anything that pertained to the industries of a State. When it came to keeping shops or running an omnibus line or anything of that kind, it was simply ridiculous. This meant "hunting around" for some way to get power and spend money. If he would let these things alone, attend to the cleanliness of the city, its good conduct, the education of the people, the welfare of the poor, and many things of that kind, he would find he would more than have his hands full. He fully and sincerely believed that the fact that they had private corporations in the United States had been the salvation of the people. If the Government had owned the railways, the street cars, and the gasworks, they would not have as prosperous a country as they had to-day. Look at the countries of Europe where the Government owned these things. Let them say how many miles of railroad they had; notice the manner in which those railroads were run. Why, they were simply nothing as compared with those in the United States, where they had tens of thousands of miles in good condition, controlled by men who had been brought up to it from boyhood. He thought the men who were working in shops, who had been brought up to business from the time they first knew what business was, were the kind of men to make progress. It was not the Government official who was only giving a little of his time and hiring a lot of clerks to do his work; those were not the men that were progressive. Looking a municipal ownerships in the United States—and fortunately they were extremely few—there was an instance that stood out beyond all others; he did not know of another instance in the whole world that was equal to it, and that was the experience of the city of Philadelphia. He was a resident there for a great many years, until he was forty years of age. Everything was arranged in the very early days, before he was born, in fact, in such a manner that the city could

some day own the gasworks subject to municipal control. The city of Philadelphia was more like London than any other American city. It was originally composed of a number of townships. First there was the city itself, which was very small, then there was the district of the Southern Liberties, the district of Kensington, the district of Southwark, and other districts. They were all combined to make the city of Philadelphia, and they were practically the county of Philadelphia. When the gasworks were organised they were placed under an Act of Legislature which provided that these different districts should buy the gasworks located therein. When he was quite a lad there was a party formed, and they concluded they would consolidate the city of Philadelphia, and an Act of Consolidation was passed which joined together all these different districts with all these various gasworks. This same party obtained a controlling interest, and concluded they would buy the gasworks of the City of Philadelphia as it then was. They bought these gasworks, and they were organised according to law in a Trust, and there were a lot of trustees who were appointed by the council—a sort of common council of the city of Philadelphia. In that way the city council appointed, not elected, but they got together the dominant party, and they appointed so many gas trustees. He believed there were twelve, who were then empowered to go ahead and buy the gasworks. According to law there were three appraisers appointed—one by the gas company, one by the city, and one chosen by the two. The gas companies, of course, took into their confidence the politicians; the politicians appointed the gentlemen that they asked them to appoint, and the city of Philadelphia paid 75 per cent. more for the gasworks than they were worth. This operation extended over a period of about a year, and during that year there were no improvements made to the gasworks but, on the contrary, lots of big bills were run up. The city came into possession

of the gasworks; they were run by the trustees, who were appointed by the City Council. After they had fairly got under weigh the gas trustees making coal gas employed thousands of men, and when election time came round, thousands of men would be employed by these gas trustees, and would really control the election, and instead of the City Council appointing the gas trustees, no man could be nominated for a position on the Council unless he had passed through the ordeal of the gas trustees. They ran the whole city, and they did it for twenty-five years. He warned them that if the British Parliament sanctioned any such powers as that, they would find that the Municipal Councils would have a broad, strong grip on Parliament. That was the past exemplification of how the thing worked as regards municipal control in American cities. If they had the railroads and tramways controlled entirely by the County Council, the County Council would have thousands and thousands of men on the roads, and the people who were in power to-day would be in power next year, the year after, and continually. He did not think the thing would work; and when it came to their keeping shops and going into mercantile business, why, the idea of the County Council running a mercantile establishment was absurd. It would not do at all. It was a spirit of socialism that had got hold of the people, and that was what they were running to.

Lord CLAUD HAMILTON endorsed the remarks of Sir C. R. Wilson on the admirable paper read by Mr. Porter. It showed a wide knowledge of our institutions, and of the difficulties to be faced which might in the future, as at present, affect legislative commercial enterprise. He believed he was the only railway chairman present. Now, if anyone in the kingdom was affected by municipal trading it was the railway companies, and the shareholders they represented. Between 11 and 12 hundred millions sterling were invested

in British railways. During the past two years they had experienced a period of very great difficulty. As a body, and as representing a greater body of shareholders, the railway companies were opposed tooth and nail to municipal enterprise, as it was understood and endeavoured to be undertaken by various municipal bodies in this country. Why were they assembled to make this protest? It happened that he had the advantage of entering Parliament a very long time ago, in the year 1865, and for twenty-three years he remained in Parliament, and though he was a very simple, retiring member, he still kept his eyes open, and often asked himself why was the Board of Trade—a Government institution on which so much depended—always a second-rate Government department? He agreed that by the dissemination of information, and especially the circulation of the most admirable paper which had been read by Mr. Porter, some good might be done, but Englishmen and Scotsmen were slow-thinking people; they did not act so quickly as their American cousins. Mr. Porter asked whether they were afraid of American competition? Personally he valued their presence amongst them as an incentive to activity, but what was wanted was not only the dissemination of information, but the formation of local bodies who would assist in the dissemination. As a case in point, the company he represented had its works at Stratford, in Essex. They paid £30,000 a year in rates, and up to two years ago there was a most Socialistic and Radical corporation at West Ham. He found it necessary to dismiss a servant of the Great Eastern Railway who was a member of that corporation, and this was resented by those who thought with him. A proposition was actually brought forward that the Great Eastern Railway should be boycotted, that all traders in the borough of West Ham who had goods to send, should not send them by the Great Eastern Railway. That showed the spirit of thos gentlemen, whose views, if carried into general effect, would in time ruin the trade of

the United Kingdom. What did they do? They thought it desirable to stem the torrent of Socialism in West Ham, and so they started a Ratepayers' Association on a non-political basis. The result of the establishment of that association was that at the last election the Socialistic majority was swept away, and an ordinarily sensible progressive majority established in its stead. This could only be done by active work within the particular constituencies while this cancer existed. If such ratepayers' associations were started in those boroughs where this spirit was most rampant, and where it should be checked, they would be doing more to carry out the views they held than in any other way. The railway companies were fully alive to the dangers which were threatening, and would gladly co-operate with the London Chamber of Commerce and other bodies in opposing the extension of municipal trading.

Mr. Alderman Wm. Ivey (late Mayor of West Ham) said that Lord Claud Hamilton had not exaggerated the facts. Lord Claud represented the Great Eastern Railway—their largest ratepayer—and they were assessed for the West Ham rates to the tune of about £120,000 gross. They had been badly treated, and had been long suffering. Any man who had gone into municipal life should take a pride in municipal government in its best sense; but they found that many men only obtained positions on local authorities for the sake of power and of voting away other people's money, without exercising the same regard for, and judicious business ability they displayed in, their own private affairs. In West Ham, for instance, a man was elected to a body representing 300,000 people, a rateable value of over a million, and 46,000 assessments. About 43,000 were assessed at less than £20, or under, and the remainder over. On every cottage at less than this assessment they lost money, on every factory they had to find the deficit caused by the cottages. What was the result? A man who was

not good enough to be employed by a contractor or a public company at 24s. a week, might be elected on the Council, and his voting might turn hundreds of thousands of pounds this way or that. Was that the spirit in which municipal governments should be carried on in this country? Personally he had had twelve years of it, and was going to retire. He had proved how difficult it was for a municipal authority in this country to conduct its business on the same lines as a man would carry it on for either a company or his own personal advancement. He agreed with the whole of Mr. Porter's paper with one exception. He said that he thought the water supply was one question with which the municipal authority should deal. For years past the London County Council had tried to promote a Bill in the House of Commons on the water question, and they had been bitterly opposed by the other local authorities in and around London. Hundreds of thousands of pounds had been thrown away on a useless fight. He believed that the Government were about to bring in a Bill enabling themselves to become the water authority of Greater London. That was the scheme, and in his opinion the only possible scheme for Greater London. There were eight companies which supplied the whole of Greater London, and outside that area every town might have its own water supply, but as it was absolutely impossible to get all the local authorities to agree on the water question, the Government ought to be the water authority for Greater London. As regards municipal enterprise and trading, the Government ought to impose a limitation beyond which it should not be allowed to go. That was the only possible safeguard while local bodies were being filled with men whose one object was the keeping of their positions.

Mr. ATHERLEY JONES, K.C., M.P., said they were glad to observe the lion of Municipalism lying down side by side

with the lamb of railway capitalism. He was also glad to see that there was no hostility in principle to the development of healthy municipalism, because they honoured and treasured the great municipal institutions of this country. At the same time they felt this, and it was the crux of the situation, that they were going through in England that period of spasmodic and sporadic municipal enterprise which was witnessed in America in the decade between 1840 and 1850. Mr. Porter told them that Americans ran amuck in those years, and, as a consequence, a violent reaction, from which they had not yet recovered, had set in. Since the Reform Act of 1885 political parties catered for the franchise of constituencies on the principle of which could give the most, and they were taking large steps in advance without having consolidated municipal institutions to enable them to bear the heavier burdens which they were seeking to impose upon them. But in this country also they were interested in the solution of the extraordinarily interesting problems of municipal trams, electric trams, steam trams, electric lighting, and other developments. They found, however, that municipalities endeavoured to retard those who were willing to do those things which municipalities were unable to do. There was no reason why private enterprise should be retarded. They all knew that in their attempts to deal with the extension of electric traction, and indeed electric lighting, they were met by the multiplied hostility of a variety of independent units. It was against that that they desired to contend, not in any spirit of hostility, but in a spirit of conciliation and with the desire to assist municipalities to realise that private enterprise could effect in that direction far more than municipal effort; the competition of private enterprise was the most effective safeguard of public security and public utility. He concluded with an acknowledgment of the able speech of Mr. Porter, and shared his general sentiments in desiring to realise all that was best in the municipal institutions of this

country and in that great and magnificent Republic across the seas.

Mr. BASSETT HOPKINS said he felt, with every other speaker, that the paper which commenced the discussion was an extremely instructive one, whatever point of view they might adopt. He could not be expected to coincide with everything that had fallen from previous speakers, or to admit that it was impossible for a railway run by a State to be as efficient as one which was run by private owners. He would rather travel, under many conditions, upon a Belgian railway than upon some of the suburban lines which lay between the metropolis and the town of Chatham. He was not aware that the public had been able to see a report from the Committee of the Chamber of Commerce on municipal trading which they might use as a basis of thought and consideration. He ventured to suggest that if they would formulate certain definite propositions they would be more likely to influence the ratepayers of the country, and through them the governing bodies which had the control of the municipal affairs of London, than by extreme propositions which would rather repel than attract confidence.

Mr. DIXON H. DAVIES welcomed the remark of Mr. Bassett Hopkins, that those who took the view that some restriction should be imposed upon action in the direction of trading by the municipalities were actuated by no hostility to those very desirable institutions. He did not think Mr. Porter was quite correct in assuming that this country had no experience of the mischievous interference of the municipal authority in the direction of trade. Prior to 1833 the whole of the municipal government of this country was constituted by the trades societies, the places on the municipal body were filled up by co-option and by the election of the guilds representing the different trades. The result of this was that the whole of the powers of the municipalities

were operated for the purpose of serving the selfish interests of the particular trades represented by those guilds. The first act of the Reformed Parliament in 1833 was to alter the constitution of the municipalities so far as it was based upon trade, and consequently to prevent the power of the town being applied as an engine of provincial protection. Those who brought about that reform were actuated in doing so by no spirit of hostility to municipal institutions in this country, for the freeing of the municipal institutions from the grasp of the guilds resulted in an extraordinary development of population, resources and of power in the great towns in this country, besides encouraging principles of free trade. What was happening now might be compared to the dog returning to his own vomit, as they found muncipalities imposing restrictions upon enterprise which were exactly comparable to those of 1830, and the evil which was pointed out then had always been the result of Governmental competition in the domain of trade. He was struck by the figures that were mentioned of the vast stock which the railway companies of this country had charge of. Even in these bad times under the commercial management of the railway directors that great property produced a profit of forty millions sterling per annum. Compare that with the figure which was mentioned in the *Times* that morning regarding only a portion of the railways of France (instituted under Government auspices and dependent for their returns on the aid of the State), on account of which a deficit of forty million francs would be charged in the Budget of France next year. Let them compare the two—in this country forty millions profit, in France forty-eight million francs deficit. That was only one indication of the failure of enterprise when it was subjected to Governmental interference. Railway men knew of many expansions of their systems, which would be desirable from every point of view, and which were forbidden by the municipalities. He could mention towns where

great railway companies had for years been projecting important extensions, and which they had been prevented from carrying out because those towns have started municipal tramways, and because they believed the railways would take away the trade from those tramways. It was said of Cobden and Bright, when they undertook that great agitation which freed the ports of this country, that they were acting selfishly because they would be, in their private capacity, the first to benefit by that freedom, but that was not the entire effect of their action. He had not the least faith, as a practical man, in the remedy suggested by Mr. Bassett Hopkins. His own view was that the remedy was financial restriction. They must limit the taxing power of these bodies. Mr. Porter had told them that all over the United States of America there was a definite limit. It was impossible for the authorities there to levy a greater financial burden than was represented by a definite percentage of the values to be taxed. It was of the highest importance they should do so. It was of great importance that all that large amount of capital which necessarily found its investment in Governmental securities should not be absorbed by these municipal authorities, and be frittered away in the advancement of municipal industries which (as Mr. Porter had shown from the experience of the United States) could be better achieved by private association.

Mr. E. GARCKE proposed the health of Mr. Morse, the chairman. He said Mr. Morse had done excellent service in this cause. He had made very great sacrifices in order to give effect to his convictions upon this question. The manner in which he organised the evidence which was given before the Joint Committee of the two Houses last year was worthy of their utmost appreciation, and was deserving of the gratitude of all those who took a deep interest in this question.

Mr. PORTER said the reason he drew the line at the waterworks was that he thought everyone was entitled to that free, without any profit. Now if these gentlemen were willing to give the gas over and the tramways over, that was all right, but the idea of drawing the line on water was for that reason and no other.

Mr. MORSE, in returning thanks, said that his share of the work of the Committee had been done from a conviction that they were right. There was no doubt whatever that the work of the Municipal Trading Committee took up a great deal of time. They had been very highly honoured in having Mr. Porter amongst them, and his paper would be an epic in their records, and would do great good throughout the country. They were also obliged to Mr. Yerkes for his remarks. The Municipal Trading Committee were not opposed to municipalities doing the work for which they were created, but objected to their taking up matters outside their proper functions. John Stuart Mill had put the matter very clearly when he said that:—"The true reason in favour of leaving to voluntary associations all such things as they are competent to perform would exist in equal strength if it were certain that the work would be as well or better done by public officers."

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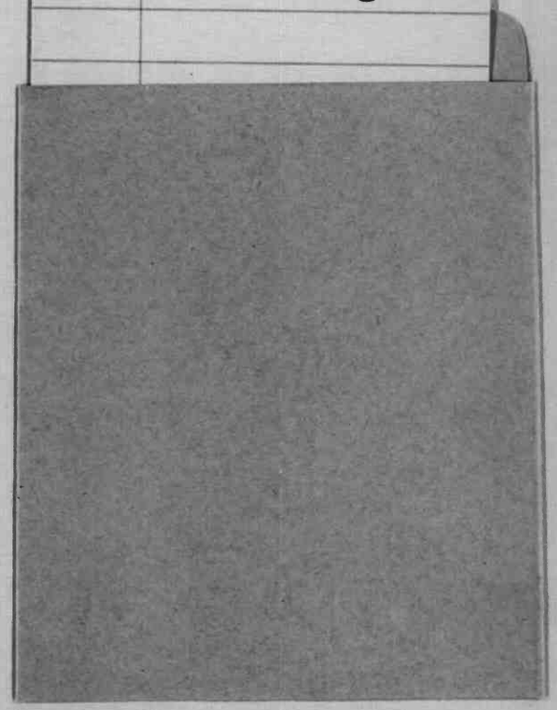

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